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Message Text

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PAGE 01 KARACH 00823 230722 Z

12
ACTION COME-00

INFO OCT-01 NEA-10 ADP-00 EB-11 TRSE-00 L-03 OPIC-12 XMB-07

CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01 /056 W
---------- 008319
R 221050 Z MAY 73
FM AMCONSUL KARACHI
TO SECSTATE WASHDC 7215
INFO AMEMBASSY ISLAMABAD
AMCONSUL LAHORE

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DEPARTMENT PASS COMMERCE

E. O. 11652: N/ A
TAGS: ETRD, PK
SUBJECT: WHITIN INTERNATIONAL INTENTION TO RENEGE ON
CONTRACTED PRICES FOR TEXTILE MACHINERY

REF: A) KARACHI 0760 B) MANILA 5682 C) KARACHI 0795 D) KARACHI A-44

1. TAHER PUNJWANI, REPRESENTATIVE IN PAKISTAN OF
WHITIN INTERNATIONAL OF CHARLOTTE, N. C., VISITED DPO
THIS MORNING IN MUCH DISTRESS TO REPORT HE HAD RECEIVED
CABLE FROM WHITIN ON MAY 21 TO EFFECT THAT PRICES FOR
ORDERS OF TEXTILE SPINDLES NOW " UNDER DISCUSSION" MUST
BE RAISED BY 15 PERCENT BECAUSE " RAW MATERIALS HAVE INCREASED
SHARPLY AND ARE EXTREMELY DIFFICULT TO PROCURE". WHITIN
CABLE SPECIFICALLY MENTIONED FOR INCLUSION IN 15 PERCENT IN-
CREASE, ORDERS FOR SPINDLES PLACED WITH WHITIN BY MAHMOOD
TEXTILES ($573,000), YUSUF TEXTILES ($638,000), AND
MIR TEXTILES ($638,000) DESPITE FACT THAT CONTRACTS WITH
ABOVE THREE FIRMS SIGNED BY R. J. HANSBURY OF WHITIN
INT. ON MARCH 20, 1973. (COPIES OF CONTRACTS SHOWN DPO
BY PUNJWANI.) AS COMMERCE AWARE FROM CONTENTS REFTELS,
FX CREDIT TO COVER PURCHASES UNDER ABOVE CONTRACTS ALREADY
APPROVED HERE BY IDBP AND ALSO CLEARED IN PRINCIPLE BY
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PAGE 02 KARACH 00823 230722 Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

ADB FOR SUB- LOANS UNDER GENERAL ADB CREDIT TO IDBP.
WHITIN CABLE ALSO STATED 15 PERCENT INCREASE WILL ALSO APPLY TO
SPINDLE ORDERS FROM PHOENIX TEXTILES ($638,000),
QUETTA ($847,000), AND NEW ERA ($619,000) CONTRACTS
FOR WHICH SIGNED AND NOW UNDER CONSIDERATION BY IDBP
FOR FX LOANS. IN ADDITION INCREASE ALSO APPLIED TO FOUR
SMALL ORDERS OF $20,000 EACH FOR DRAWING FRAMES, CON-
TRACTS FOR WHICH SIGNED AND LETTERS OF CREDIT ESTABLISHED.

2. UNDER CIRCUMSTANCES, PUNJWANI STATES HE DOES NOT
KNOW HOW TO FACE HIS CUSTOMERS WITH NEWS OF WHITIN IN-
TENTION TO RENEGE. IN ADDITION TO PROBABLE LEGAL STEPS
AGAINST WHITIN FOR BREACH OF CONTRACT AND
AGAINST HIMSELF AS WHITIN AGENT, HE BELIEVES WHITIN
ACTION WILL ADVERSELY AFFECT SALES PROSPECTS THROUGHOUT
PAKISTAN MARKET FOR WHOLE RANGE OF US TEXTILE MACHINERY
EXPORTS. PUNJWANI SAYS HE IS NOW NEGOTIATING FOR SALE
HERE OF UP TO $15 MILLION, REPEAT $15 MILLION, WORTH
OF OTHER TEXTILE MACHINERY. THIS INCLUDES $10 TO $12
MILLION WORTH OF DRAPER LOOMS AND $3 TO $4 MILLION
WORTH OF RODNEY HUNT TEXTILE FINISHING MACHINES FOR
WHOM PUNJWANI IS ALSO AGENT. A GOOD PART OF THESE
PROSPECTIVE ORDERS ARE FROM YUSUF TEXTILES AND MIR
TEXTILES, WHO, PUNJWANI BELIEVES, WOULD PROBABLY
BREAK OFF RELATIONS WITH HIM BECAUSE OF WHITIN ACTION.
HE ADDED THAT JAPANESE FIRMS WHICH ARE MOST COMPETITIVE
WITH WHITIN WILL BE DELIGHTED TO STEP IN, IF WHITIN
BREAKS CONTRACTS, AND TAKE OVER WHITIN ORDERS.

3. PUNJWANI HAS DELAYED INFORMING TEXTILE
FIRMS HERE OF WHITIN DECISION IN HOPE THAT SOMETHING
CAN BE DONE TO OBTAIN RECONSIDERATION THEIR DECISION,
PARTICULARLY IN CASE OF THE MAHMOOD, YUSUF AND MIR
ORDERS NOW BEING PROCESSED BY ADB AND OF THE FOUR
SMALL ORDERS FOR DRAWING FRAMES.

4. COMMENT: CONGEN AGREES WHITIN DECISION TO RENEGE
ON ABOVE IMPORTANT CONTRACTS, IF PERSISTED IN, WILL
DEFINITELY PREJUDICE OVERALL PROSPECTS FOR SALES US
TEXTILE MACHINERY IN PAKISTAN AND MIGHT POISON ATMOS-
PHERE HERE TO SUCH AN EXTENT THAT PROPOSED US TEX-
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TILE MACHINERY MISSION TO PAKISTAN WOULD BE RENDERED
INEFFECTIVE.

5. ACTION REQUESTED: A) THAT COMMERCE URGENTLY
CONTACT WHITIN TO ASCERTAIN FACTS AND ATTEMPT TO PERSUADE
COMPANY TO STAND BY ITS PREVIOUSLY SIGNED CONTRACTS,
POINTING OUT DELETERIOUS EFFECT WHICH THEIR CONTEMPLATED

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ACTION WOULD HAVE ON US EXPORTS TO PAKISTAN. B) THAT
COMMERCE REPORT BACK ITS FINDINGS AND RECOMMENDATIONS
AS SOON AS POSSIBLE.
TIGER

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*** Current Classification *** LIMITED OFFICIAL USE

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